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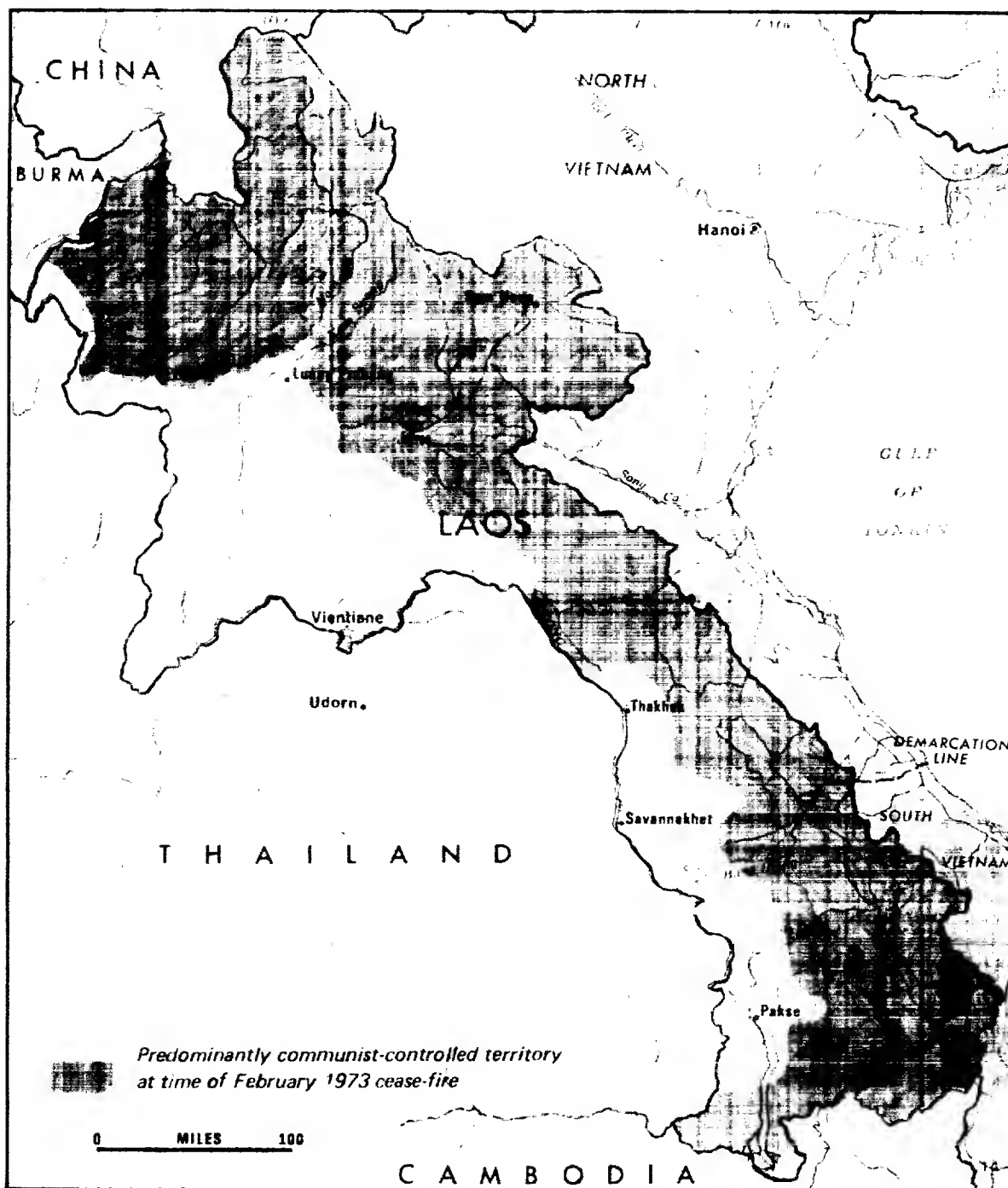
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LAOS

With the exception of Thakhek, most major urban areas in the non-communist zone as well as the "neutralized" twin capitals of Vientiane and Luang Prabang were reported quiet yesterday.

In Thakhek, a town along the Mekong long controlled by the rightists, an estimated 500 Pathet Lao - inspired students, soldiers, policemen, and low-level civil servants assembled at the local USAID compound early yesterday. No action was taken against either the compound or its American employees. Instead, the protesters demanded action on the area's serious economic problems as well as the ouster of a number of local rightist officials.

According to one report, the atmosphere in Thakhek resembled a country fair more than a demonstration of political solidarity. Nevertheless, the rhetoric of the protesters was highly inflammatory, and more radical student agitators were reported to be on their way to Thakhek from nearby Savannakhet.

The situation in Savannakhet, meanwhile, has stabilized, at least temporarily, following several days of anti-rightist and anti-American demonstrations. The coalition government has formally apologized to the US for the protesters' occupation of the USAID compound in Savannakhet and for the detention of three of its American officials. The three hostages were released late yesterday and allowed to return to their private residences in the city. The coalition government has dispatched a joint peace-keeping delegation to Savannakhet to negotiate the protesters' grievances.

* * * *

The coalition cabinet met under Prime Minister Souvanna Phouma's chairmanship on May 14 amid considerable speculation that replacements for a number of recently ousted rightist ministers would be announced. Action on the important cabinet shuffle, however, was deferred

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to next week at the earliest. Pathet Lao General Kham-mouane Bouphe presumably will remain "acting" defense minister and may assume the post permanently.

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CAMBODIA-INTERNATIONAL

Chinese Vice Premier Li Hsien-nien has labeled the US action to recover the Mayaguez "an outright act of piracy" that "should be condemned by world opinion." Li spoke at a reception given by Vietnamese representatives in Peking and took the occasion to claim that the Mayaguez incident "showed that the US had not learned from its defeats in Indochina." Li portrayed the incident as arising from the intrusion of a US ship into Cambodian territorial waters. His comments constituted the first authoritative statement from Peking and came after the military action had been completed. Earlier, Vice Premier Teng Hsiao-peng told reporters in Paris that there was "nothing China could do" if the US used force against the Cambodians, but these comments were not replayed by Peking.

The Foreign Ministry in Hanoi issued an official statement in which it described the Mayaguez as a "reconnaissance ship" and condemned its recovery as a "serious act of war." The North Vietnamese also pledged support for the Cambodian "right to defend its territory, airspace, and territorial waters"--a statement which may come back to haunt Hanoi given Phnom Penh's recent moves to assert its rights to disputed offshore islands. The new government in Saigon has not yet commented but can be expected to parrot Hanoi's line.

The Soviet media have given the incident extensive but essentially factual coverage. Cambodian charges and US denials that the Mayaguez was engaged in espionage activity have both been reported. Radio Moscow has noted Thai protests as well as US Congressional and American press criticism of the action, but thus far Moscow has offered no editorial comment of its own.

The East Europeans have been somewhat out in front of Moscow in their criticism of US actions. The East Germans have used the most pejorative language.

Public reaction in Britain and West Germany has been generally favorable. French press commentary, however, has been mixed: the left condemned the action as

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"shameful," while the right--still rankled by Cambodian handling of the refugees in the French embassy in Phnom Penh--has been basically favorable. Swedish newspapers have been almost unanimous in their criticism of Washington's use of force, but Foreign Ministry Secretary General Astrom claimed privately that he would say nothing that would give the US offense. In Copenhagen, Foreign Minister Anderson was noncommittal in receiving the US embassy's presentation of the Mayaguez incident.

A spokesman for the Japanese Foreign Ministry implied approval for the action by telling newsmen that ships in "open waters must not be subject to seizure," and said that Tokyo viewed American action as "limited." Privately, Japanese officials expressed their belief that greater US patience would have won more respect. Official and unofficial commentary from South Korea and Taiwan has been predictably favorable as was the Australian press. Despite the strong Thai reaction, a communiqué issued on the completion of a meeting of foreign ministers from the Association of Southeast Asian Nations--Thailand, the Philippines, Indonesia, Malaysia, and Singapore--made no mention whatsoever of the Mayaguez incident.

Of the Arab nations, only Algeria has weighed in heavily with invective against Washington. Cuban commentary was relatively mild, while Paraguayan and Uruguayan officials expressed satisfaction with the outcome of the incident. The rest of Latin America has yet to make itself heard.

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WESTERN EUROPE

West European states have voiced initial approval of Secretary Kissinger's speech earlier this week on a possible new meeting of oil producers and consumers. Most European officials want more time to study the US proposals before giving a formal response.

They are likely to welcome the US readiness to discuss with the developing states--on a case-by-case basis--international commodity agreements, which the Europeans have conceded are necessary in order to get the oil producers to discuss energy issues. There also is general agreement that existing international forums should be used to resolve raw materials issues, but the Europeans will be sensitive to the reactions of the developing states before expressing outright support for this aspect of the US proposal. The Europeans may also be less forthright in rejecting the developing states' demands for a new world economic order.

The West Europeans remain interested in resuming energy talks between producers and consumers, but since the collapse of last month's talks in Paris they have shifted their priority to developing a common policy on raw materials:

--The Europeans and Japanese are generally gratified that bitter recrimination was avoided among the groups that met in Paris. They feel an overly hasty resumption of energy talks--and a possible second failure--would strain relations between producers and consumers.

--They are apparently satisfied that the International Energy Agency provides a favorable framework for energy discussions and want to strengthen this channel before any future talks with oil producers.

--The relatively favorable market conditions that currently exist for oil importers have reduced pressure for immediate talks with oil suppliers.

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--Preparations will soon begin in earnest for an extensive series of international meetings on issues relating to economic development and raw materials. The EC foreign ministers will meet in Dublin later this month to consider raw materials issues, and the Organization for Economic Cooperation and Development will hold a ministerial meeting in Paris at which raw materials policy will be a key topic.



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CANADA

Ottawa has assured US embassy officials that Canada intends to consult its allies if the defense review now under way recommends changes that would affect Canada's NATO commitments.

An official in the External Affairs Department dismissed recent press speculation that the Trudeau government was in favor of pulling out Canada's 2,800-man mechanized brigade from West Germany and modernizing its air force fighter contingent there. He said that all options were still very much open. Those include retaining Canada's existing force structure in West Germany or reducing it by withdrawing either the ground forces or the air contingent. He added that while cost-effectiveness and military efficiency were factors in the review, the political implications were also very important.

The official noted that if consultations were required, they probably would not take place until a recommendation had been forwarded to the cabinet for approval. In any event, Canada's allies would not be presented with a fait accompli. The cabinet would be asked to endorse the proposal in principle, subject to approval by the NATO allies following consultations.

The NATO allies apparently can still influence Canada's decision. The US embassy believes that such intervention now would strengthen the hand of those in the government who have misgivings about the implications of any reduction of manpower in the Canadian NATO force.

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PORTUGAL

Moderates in the Armed Forces Movement have suffered a setback with the forced resignation yesterday of General Mendes Dias, the air force chief of staff and member of the Revolutionary Council.

Mendes Dias' resignation comes as no surprise since his moderate views made him suspect, especially after the abortive March 11 coup. Moderate officers in the Movement had hoped that the popular strength demonstrated by the Socialists and the Popular Democrats in the constituent assembly election would give them increased leverage in the Council. So far, however, they have had little success in making their influence felt.

In a communiqué released by the Revolutionary Council, Mendes Dias was criticized for "deficiencies" in command during the coup attempt, but he was not accused of complicity in the plot. The Council stated that his loyalty to the Movement is not in question.

[REDACTED]
[REDACTED]
[REDACTED] Press reports speculate that the Council's rebuke was intentionally mild to avoid antagonizing the air force, which is inclined to support the moderates.

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The Portuguese media indicate that the commander of the Lisbon air region, General Pinho Freire, also submitted his resignation out of loyalty, but the Council's decision on this matter has not been announced.

The new chief of staff is Colonel Moraes da Silva, until recently a major who assumed command of an air base in the aftermath of the abortive coup. As chief of staff, he is promoted to the rank of general.

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AZORES

Lisbon's plan to reorganize the Azores has sparked dissidence by two separatist groups.

Under the Ministry of Internal Administration's reorganization, the present three districts would become a single province. The lack of Azorean participation in preparing the plan and the secrecy of the district governors' deliberation on it have caused some disgruntlement, as reflected in press comments. This disenchantment has given at least a temporary boost to the separatists--the Movement of an Independent Azorean Republic and the Azorean Liberation Front. The latter group has been in the forefront of groups charging that the Azores are being treated as a colony and has urged an end to economic and fiscal exploitation.

Efforts to play on the underlying Azorean resentment of the mainland to organize an effective movement for greater autonomy or independence, however, have all had a marked lack of success. The group that came nearest in being effective was the Movement for Azorean Political Autonomy (MAPA), which was organized in the wake of the April 1974 ouster of the Caetano regime. MAPA succeeded in mobilizing a considerable body of political opinion, but was forced out of existence by leftist groups following the unsuccessful coup attempt on the mainland on March 11.

Separatist movements will probably remain weak if Lisbon can establish a system that ensures equal treatment of the Azores with mainland provinces. Separatists

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would then be forced to depend on less cogent warnings against the leftward trend in Portugal to gain adherents. The government is expected to be able to control separatist sentiment unless these movements receive external assistance or Lisbon shows continued insensitivity to Azorean problems.

LEBANON

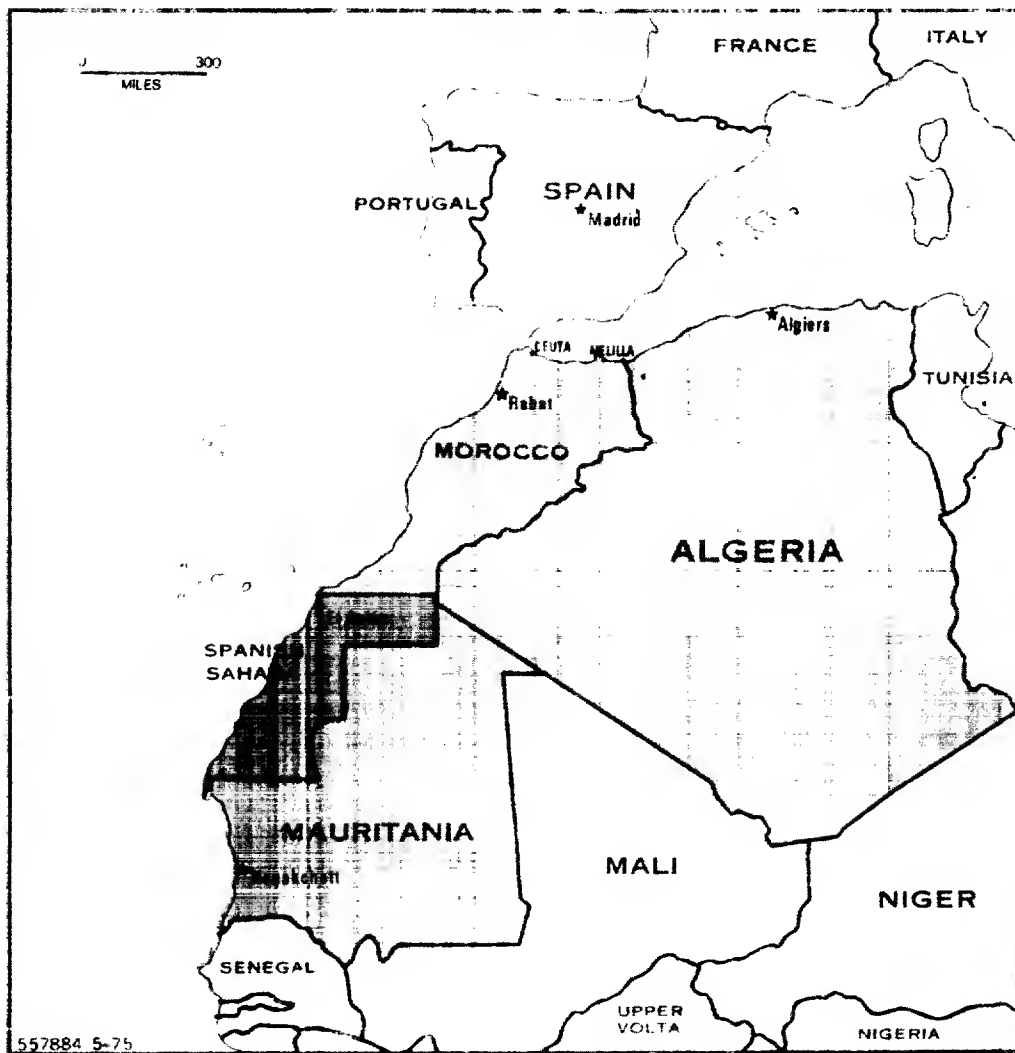
Prime Minister Rashid Sulh resigned last night. He was finally forced out by leaders of the country's two largest Christian political parties, which had withdrawn their support for his cabinet to protest his handling of last month's disturbances in Beirut.

Lebanese leftists and the fedayeen made a last-minute effort to drum up public support for Sulh's government. They opposed him on many issues, but they valued the freedom provided by his weak leadership and were eager to deny the right-wing Phalanges Party the credit for bringing down the government.

It could take President Franjiyah as long as several weeks to come up with a new prime minister acceptable to him and to the country's main political and religious blocs. By custom, the prime minister must be a Sunni Muslim; powerful leaders of that sizable community have in recent years been reluctant to serve under Franjiyah, who dislikes sharing power with anyone.

Because Franjiyah has been ill-served by three weak prime ministers in the past two years, he may now make the concessions necessary to recruit a more assertive and politically powerful candidate. The next prime minister's primary challenge will be to grapple with the country's deteriorating security situation.

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SPANISH SAHARA

The arrival in Spanish Sahara this week of an investigating team of the UN Committee on Decolonization has stirred action among the parties contesting the disposition of the territory. The team has already visited Madrid and will go on to Morocco, Algeria, and Mauritania.

Recent allegations in the Spanish press about secret conversations between Spain, Morocco, and Mauritania for settlement of the Sahara problem have led Spanish Foreign Minister Cortina to announce that Madrid continues to support a self-determination referendum under UN auspices. A Spanish Foreign Ministry official has told the US embassy that the press stories came from certain Spanish officials who favor a negotiated settlement that would take into account Moroccan King Hassan's determination to annex the Sahara.

The arguments of these officials have been weakened by Hassan's renewed claim to the Spanish enclaves of Ceuta and Melilla in northern Morocco--territories that Madrid says it has no intention of relinquishing.

Cortina's formula reportedly has the full backing of Franco. Madrid appears to believe that a referendum would result in a vote in favor of an independent state, which the Spaniards could hope to control.

The Spaniards postponed their plans to hold a referendum during the first half of this year because last fall the UN General Assembly adopted a Moroccan-initiated resolution that sent the dispute to the International Court of Justice for an advisory opinion. The court will decide whether the Sahara was administered by any government prior to Spanish occupation and, if so, what legal ties existed then between the territory and Morocco and Mauritania.

Spain, Morocco, and Mauritania have submitted written briefs to the court, which began hearing the case on May 12. Algeria has notified the court it wishes to present its views as an interested party.

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A court opinion is expected next September in time for the UN General Assembly session. Faced with competing claims to the area, the court may rule that Spanish Sahara was an unadministered territory. That would return the problem to the General Assembly, which would probably recommend implementation of existing resolutions that call for a UN-supervised referendum.

Relations between Morocco and Algeria have recently become strained again over the Sahara issue. Algiers, which is determined to block Moroccan annexation of the territory, supports the proposed referendum, on the assumption that it would result in independence for the area. Such a solution would at once deny Morocco any form of control and open the territory to Algerian influence.

The two countries clashed over self-determination for the Sahara at the Arab League foreign ministers' meeting in Cairo last month. The day after the meeting ended, Hassan warned that Morocco would use force, if necessary, to prevent "self-determination in the Sahara." Hassan, however, still prefers a settlement through bilateral negotiations.

The extensive coverage in the Moroccan press last week of recent attacks against Spanish forces in the Sahara suggests that Rabat is preparing its people for the use of Moroccan irregulars in small-scale guerrilla operations.

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Morocco will be circumspect in using paramilitary pressure tactics inasmuch as it does not want a military confrontation with the Spanish in the Sahara. The latest incidents may be designed to demonstrate to the UN observer team that there are pro-Moroccan Saharan dissidents as well as those who favor independence. Rabat may also wish to create a sense of urgency in Madrid in the hope of inducing the Spaniards to resume bilateral talks.

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CZECHOSLOVAKIA

The power struggle between moderates and hard-liners in the top party leadership may soon enter a new phase.

The question of presidential succession, which reportedly is to be settled at the end of the month, has long had an unsettling effect on the delicate political balance within the leadership. It has now become even more contentious as the leadership also wrestles with such nettlesome issues as how to handle former party chief Alexander Dubcek and other dissidents, as well as what to do with the thousands of party members who were expelled after the Soviet-led invasion in August 1968.

In many respects, the regime is paying the price of avoiding the succession issue for so long. Ludvik Svoboda, the 79-year-old President, has been seriously ill and unable to perform his official duties for more than a year. In 1973, he reportedly agreed to serve another term in office so that the leadership would have time to resolve the succession question in an orderly way.

Premier Strougal now has told the Austrian foreign minister that a presidential successor will be chosen by June 1. Party chief Husak will probably assume the presidency and also retain the party's top office. Czechoslovakia has a precedent for one individual holding the country's top party and state offices concurrently. Husak, however, may keep the "two top hats" only until the party congress next spring. The possibility that he will relinquish his party position is already leading those who see themselves in line for Husak's party mantle to jockey for position.

Meanwhile, the US embassy reports that Husak has come under attack both from hard-liners, who evidently cannot stomach his moderate approach toward some of Dubcek's less prominent sympathizers, and from emigrés and their activist supporters still in the country, who oppose him as the symbol of Dubcek's defeat.

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Given the pressures that he faces, Husak may decide to end the pause in the anti-Dubcek campaign that prevailed during the ceremonial holidays of early May. Husak may now feel free to undercut his hard-line critics by taking measures to rein in the dissidents.

Husak will have to move with some circumspection, however, if he is to avoid interfering with Moscow's plans for the European security talks and a conference of European Communist parties. He must give serious thought to the effect that his threatened "administrative measures," such as arrests, trials, and imprisonment, could have in international forums. If Husak lays too heavy a hand on the dissidents, he could create a vulnerability that the exiles and their internal supporters would immediately try to exploit. Husak still appears to be on top of the situation, but his ability to meet these challenges will be carefully noted in Moscow, and the outcome could directly influence his future.

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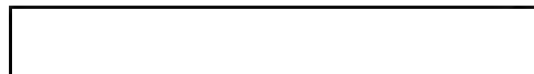
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